

SECTION VII. SECURITY CLASSIFICATION AND DECLASSIFICATION

7-10G Application.

a. This section prescribes the requirements and establishes the procedures to identify the classification of information turned over to contractors. It outlines the responsibility for furnishing instructions pertaining to the disposition of classified information on final delivery of goods or services or on termination of a classified contract. It also identifies other security requirements involved in prime and subcontracts.

b. This section covers the procedures to be followed by: (i) the PCO of the UA, (ii) the AC() when administration of the contract has been delegated to the **DLA**, (iii) the plant representative of **the military** department, when contract administration is delegated under the plant cognizance program this person is also referred to as the ACO, and (iv) the PCO **when contract** administration is retained by the **PCO**. Instructions pertaining to classification guidance may be **issued** by the PCO directly to the contractor with an information copy to the ACO or routed to the contractor through the ACO. Except for the **situation** covered by (iv) above, the contractor shall **request** guidance pertaining to classification or retention of classified information from the PCO through the ACO; **however, under urgent** . . . circumstances, direct communication to obtain classification guidance is authorized with the **PCO**, provided that a written record of such communication is furnished the ACO.

c. In this section the term "DD Form 254" includes the "DoD Contract Security Classification Specification" (DD Form 254), attachments and supplements, as appropriate, **unless** specific reference is made separately to these forms **in** the text.

d. Security classification guidance for contractors in industry **is** continuously and at all times the responsibility of program, project, and **systems** managers, or equivalent officials (all hereinafter referred to as program/project manager), their respective successors in interest, and their respective higher level supervisors and commanders in the same channel or **chain** of command.

e. The complete **DD** Form 254, including **attachments** and supplements, is the basic document for conveying to contractors the applicable classification and regrading and declassification specification for a classified solicitation, contract or subcontract. It **is** designed to indicate, by a combination of a checklist and narrative comment, the classified areas of information involved in the classified effort and, particularly, to identify the, specific items of Information within these areas which require security classification protection.

f. If the classified solicitation, prime contract, subcontract, or UA program is for a research consultant service, alternate storage **service**, or other procurement, in **which** there is no requirement for a breakdown by classification of the various elements of the classified effort, the **DD** Form 254,

without attachments or additional guides, may **be** utilized for **the** entire contract purchase order.

g. In the absence of exceptional circumstances which clearly support classification, the **DD** Form 254 will not be classified. If classified supplements are required as part of the security classification specification, they shall be identified **in item 15** of the **DD** Form 254 and be furnished as an attachment or forwarded by separate correspondence.

h. **E.O.** 12356 allows agency heads to waive, for good cause, the requirements for marking portions, and the preparation of **classification** guides for specified classes of documents or **information**. Exercising either of these options does not relieve a UA of the U.S. Government's **responsibility**, under the terms of the **DD** Form 441, for providing appropriate classification guidance to contractors performing on classified contracts.

i. Guidance, standards, criteria, and procedures for determining the security classification to be applied to items of information involved in a contract are provided **in** DoD Regulation 5200.1-R (reference **(yy)**) and appendix D of this regulation.

7-101 Security Classification. The **DD** Form 254 embodies the concept that the sensitive information itself shall be identified and assigned a proper classification **rather** than assigning classification to media by which classified **information** could **be**, or would likely **be**, conveyed. This method of classifying information rather than media is intended -to identify **most** "precisely the functional matter which is to be protected, thus providing the answer to the question: **"What is there** about **a** specific item which causes it to be classified?" Identification and knowledge of "why" material is classified will permit greater selectivity in applying security controls, such as safeguarding, dissemination, downgrading, declassifying, and releasing. Media shall be marked as classified only if they convey information which has been identified as classified information.

7-102 Issuance of Security Classification Guidance. Program/project managers of a UA initiating procurement requests will prepare a **DD** Form 254 for the classified effort, and submit the specification **to the** UA activity **PCO** or his or her authorized representative for signature and necessary distribution (see paragraph 7-103). **In** order to increase the effectiveness of guidance furnished and provide advance notice of pending possible classification requirements, the aforementioned responsible officials should endeavor, by arrangements which are reasonable and fair to all concerned, to allow contractors and potential contractors which have the necessary **FCL's** the opportunity to participate in the preparation of the **DD** Form 254. When classified' information **is** expected to be received or produced by the contractor, a **DD** Form 254 will be prepared as follows.

a. Original. **Except as** provided by paragraph d below, **an original** **DD** Form 254 will be issued:

(1) with each request for proposal (**RFP**), **request** for quote (**RFQ**), invitation for bid (**IFB**), or other solicitation; and

(2) with the award of a contract or follow-on contract.

b. Final. A' final DD Form 254 will be issued on **final** delivery of goods or **services** or on termination of a contract provided:

(1) authority is granted under paragraph **5m**, ISM, for the contractor to retain classified material originated by the UA or generated by the contractor in the performance of the contract (see paragraph 7-104); or

(2) all classified material shown in paragraph (1) above, for which retention authority would be required, is ordered immediately declassified.

(c) Revised. Revised DD Forms 254 **will** be issued when:

(1) at **any** time subsequent to the issuance of the original classification specification, additional guidance in connection with it is required to be disseminated; or

(2) at time of review, the classification specification **is** changed (see paragraph 7-104).

d. Special Situations.

(1) Government Furnished Equipment (GFE) or Government Furnished Property (GFP). The PCO, or his or her authorized representative, will assure that a DD Form 254 is provided **for** each classified item of **GFE** or **GFP** issued or authorized for purchase, after the award **of** contract, when such equipment or property is not covered by the guidance issued with the contract.

(2") Follow-On Contract. When item 6a identifies this **as** a follow-on and/or related contract, the classification guidance furnished with the DD Form 254 for the preceding contract will be identified in item 14 and" be furnished as an attachment or foreward under separate cover.

(3) Open-End or Call-Type Contract. A single DD Form 254 **may** be used to cover a basic ordering agreement or an indefinite delivery contract, except when the individual **call**, purchase order, or request for services or products requires classification specification different from that provided for the overall contract.

(4) Service, Graphic Arts, or Research Contracts. In these cases, a DD Form 254 is issued for every classified contract, but the scope and purpose vary.

(a) ADD Form 254 which specifies the highest level of classification involved, but does not provide detailed classification guidance, will be issued when one of the following conditions exists.

¹ The total requirement of the contract **is** the performance of a **service**, **all** of which takes place at a cleared facility or government activity which has and makes available, for use by the contractor performing the service, a currently valid DD Form .254 which includes complete guidance for the service to be performed. In these **cases**, item 15 of the DD Form 254 **will** be annotated:

Using contractor or activity will **furnish** complete classification guidance for the service to be performed. The highest level of classification for **the** contract is (TOP SECRET, SECRET, or CONFIDENTIAL). Contract **performance** **is** restricted to (name of facility or location).

2 The contractor has no performance requirement involving actual **knowledge** of, generation, or production of classified information, but has only a requirement to be physically present in an area where classified information "is **located**". Examples include, but are not limited to, contract calling for guard, alarm, alternate storage, or equipment maintenance services. In these cases, item 15 of the **DD** Form 254 will be annotated:

Actual knowledge of, generation, or production of classified information NOT REQUIRED. This document **serves as** written notice of the letting of a classified service contract. The highest **level** of classification for **the** contract **is** (TOP SECRET, SECRET, or CONFIDENTIAL).

3 The contract requirement is limited to graphic arts reproduction and **classification** markings appear on the material to be reproduced. These classification markings constitute the required security classification specification. In these cases, item 15 of the **DD** Form 254 will be annotated:

Reproduction **service** only. **The** highest **level** of classification for the contract is (TOP SECRET, SECRET, or CONFIDENTIAL). Classification markings on material to be reproduced specify the required security classification.

(b) In each of the cases described in paragraph (a) above, if a subcontract at any tier is involved, the **DD** Form 254 for the subcontract will not require authentication **by** the signature of an **ACO/PCO**. Instead, the contractor who is the principal prime contractor or who serves as a prime contractor in relation to a subcontractor in the particular case, will complete and sign item 16. Furthermore, in all cases, distribution of the **DD** Form 254 **will** be made to the subcontractor involved, his or her **CSO**, and the contract administration office(s), if designated, of the immediate prime and subcontractors involved.

(c) Where a contract involves research services requiring detailed classification guidance, but **it** is too early to determine these detailed requirements, item **15** of the **DD** Form 254 **will be** annotated:

This is a research contract. The highest **level** of classification-for

the contract **as** a whole is (TOP SECRET, SECRET, or CONFIDENTIAL).

A revised **DD Form 254** **will** be issued as soon as possible to provide **de-**tailed security classification guidance.

(5) Commercial Carrier. By policy determination a commercial carrier does not require a **DD Form 254** in connection with each transaction involving the pickup, movement, and delivery of classified material. When a cleared commercial carrier enters into a classified **service** subcontract with a cleared facility within the meaning of paragraph (4)(a)2 above, the carrier, serving as a prime contractor for such purpose, will issue a **DD Form 254** to the cleared facility. In any such case, the requirements of paragraphs (4)(a)2 and (4)(b) above shall apply.

e. Reference Material.

(1) Original DD Form 254. In the case of a contract the performance of which is expected to require access to only reference material an original DD Form 254 will be issued to describe the highest category or various categories of classification of such material. The **DD Form 254** **will** provide other instructions, as appropriate; for example, the protection of information extracted from such material.

(2) Final DD Form 254. A final DD Form 254 will not be issued when authority is granted under paragraph 5m, ISM, for the contractor to retain only reference material. Such material is required to be marked by its originator to reflect downgrading and declassification instructions. **If** it is not so marked, the contractor is responsible for requesting **advice** in accordance with the procedures outlined in appendix II, paragraph A5, **ISM** (see paragraphs 7-104 and 7-105).

f. Subcontract Guidance.

(1) Immediately on receiving notification from the prime contractor that a subcontractor has been selected and that the subcontractor **is** expected to require access to classified information, the ACO, or PC() if contract administration has not been delegated to an ACO, **shall** be responsible for the following.

(a) Ensure that the prime contractor prepares a **DD Form 254** for each subcontract.

(b) Review the **DD Form 254** developed by the prime contractor for each subcontract to ensure that it **correctly** reflects the instructions furnished by the **PCO** of the UA activity and is specifically designed for the particular task(s) to be performed by the subcontractor.

(c) Ensure that any questions of adequacy of the **DD Form 254** are resolved to the mutual satisfaction of the prime contractor, the subcontractor and the ACO, or are referred for resolution to the program/ project manager of the UA designated **in** item **12b** on the prime contractor's **DD Form 254**.

(d) Except in cases failing within paragraphs d(4) (a) **and** d(5) above, approve the resulting **DD Form 254** and make, or authorize the prime contractor to make, the required distribution. In cases falling within paragraphs d(4) (a) and d(5), the prime contractor will complete and sign item 14. Authentication by the signature of an **ACO/PCO** is not required.

(2) There is no authorized substitute for the **DD Form 254**. There are exceptional conditions in which a prime contractor has a serious time limitation in preparing his or her response to a **RFP, IFB**, or similar solicitation to a UA. In such cases the prime contractor, concurrent with dispatching the **DD Form 254** for official government approval and signature, may supply an unofficial copy of the same guidance to a prospective subcontractor for the latter's use pending receipt and distribution of the approved and signed **DD Form 254**.

(3) The **ACO**, on receiving notification of regrading or declassification action from the **PCO**, shall:

(a) review the classification specification developed by the prime contractor for each subcontract which is outstanding to ensure that it correctly reflects all applicable new instructions furnished by the **PCO**;

(b) resolve any questions. to the mutual satisfaction of the prime contractor, subcontractor, and the **ACO**, or refer the matter to the program/project manager of the UA designated in item **12b** of the prime contractor's **DD Form 254** for resolution; and --

(c) approve the resulting specification, as revised if necessary, and make, or authorize the prime contractor to **make**, the required distribution.

g. COMSEC or Other Special Access Program Contracts. Whenever a contract requires a contractor employee to install, maintain, or operate **COMSEC** equipment for the U.S. Government or requires access to U.S. Government keying material, or when the contract contains other special access requirements, the contracting activity shall indicate this in item 11 of the **DD Form 254**. The notation should **also** include a statement in item 11o, "Remarks," that such **COMSEC** or special access information **is** not releasable to contractor employees who have been granted a reciprocal clearance.

h. Unsolicited Proposals. Whenever a contractor develops an unsolicited proposal or originates information not in the performance of a UA contract, the **following will** apply.

(1) If information is included in the proposal or other material which the contractor identifies as already being classified, the proposal or other material **shall** be marked with the appropriate classification by the contractor in accordance with paragraph 11, **ISM**.

(2) If the case does not **fall** under paragraph (1) above, and the contractor believes that the **proposal** or other material contains information which may or should be safeguarded, the contractor has been requested by paragraph 10, **ISM**, to protect the information as though classified at the appropriate level until an advisory classification opinion

is obtained from a UA which has an interest in the subject matter. In any such case, the protective marking to be used will be:

Classification determination pending.
Protect as though classified
(CONFIDENTIAL, SECRET, or TOP SECRET).

The marking will appear at least once conspicuously on the material, however, the contractor will not be required to mark the material further in accordance with paragraph 11, ISM, until **it** the advisory classification opinion is received. In addition, if applicable, contractors are not precluded from designating such information as company private or proprietary information.

(a) **It is** the general policy of the DoD not to classify information over which it has no jurisdiction. The proposal or other material shall not be classified by the UA: (i) unless **it** incorporates **classified** information to which the contractor was given prior access or **(it)** unless the government first acquires a proprietary interest.

(b) If no prior access was given, the UA shall make or obtain a determination on whether a classification would be **assigned if** the government held a proprietary interest. If the determination is negative, the contractor shall be advised that the information is unclassified and that the protective marking is to be removed. If the determination is affirmative, the UA **shall** make or obtain a determination on whether government proprietary **interest** **will** be acquired. If such an interest **is** acquired, the information shall be assigned a proper classification and the contractor so notified. If no such interest is acquired, the contractor **shall** be informed that there is no basis for classification and that the protective classification marking **is** to be removed.

(3) **On** receipt of a request for an advisory classification opinion, the activity of the UA shall:

(a) ensure that the contractor has not **assigned** a national security classification to the information;

(b) ensure that the material is protected as required by DoD Directive 5400.7 (reference **(1)**) and DoD Components' implementation thereof (see paragraph 7-108) or by equivalent requirements of **UA's** other than DoD; and

(c) determine whether it has an interest in the subject matter. If so, it shall take necessary action to acquire a proprietary right in the proposal or information **and** shall issue appropriate classification guidance. If not, it shall, when appropriate, refer the matter to another interested **agency** and advise the contractor of the referral. If it appears that the Information or proposal is not of interest to any UA, the contractor shall be advised that a defense security classification is not warranted.

(4) **Any unsolicited COMSEC** system equipment, development, study, or proposal which is submitted by a contractor to a UA for **consideration**, shall be forwarded to the Assistant Director for Communications Security, **NSA**, Fort George G. Meade, Maryland, 20755, for evaluation and a

determination as to whether it requires protection **in** the interest of national security.

i. Public Disclosure. When a contractor reports to the **ACO** the appearance **in** the public domain of information currently classified, the ACO shall notify the **PCO** who **shall** refer the matter to the appropriate classifying authority of the **UA** concerned for a determination as to whether the information should be declassified, downgraded, or continued in the same classification. The contractor **shall** be advised promptly of this decision.

7-103 Required Distribution.

The **DD** Form 254, attachments, classification, and need-to-know review are to be distributed as follows 1/.

a. For Prime Contracts:

- (1) Prime contractor
- (2) CSO of prime contractor only
- (3) Appropriate ACO
- (4) Quality assurance representative
- (5) Official identified in item **12b**, **DD** Form 254
- (6) Others as necessary

b. For Subcontracts:

- (1) Prime contractor
- (2) Appropriate ACO
- (3) Subcontractor
- (4) CSO of subcontractor only
- (5) Quality assurance representative
- (6) Official identified in item **12b**, **DD** Form 254
- (7) Others as necessary

c. For Sub-subcontractors:

- (1) Prime contractor
- (2) Appropriate ACO
- (3) Subcontractor
- (4) Sub-subcontractor
- (5) **CSO** of sub-subcontractor only
- (6) Quality assurance representative
- (7) Official identified in item **12b**, **DD** Form 254
- (8) Others as necessary

1/ Reflect the distribution in the "**Required Distribution**" block of the **DD** Form 254. For **SENSITIVE** COMPARTMENTED INFORMATION contracts, distribution of the **DD** Form 254, attachments, and supplements will be as prescribed by the procuring contracting agency concerned. Separate copies shall be furnished to the ACO, the quality assurance representative, and the CSO, so that each may discharge his or her individual responsibilities.

d. For solicitations (**IFB**, **RFQ**, **RFP**). The distribution of **DD** Forms 254 for **IFB's**, **RFP's**, or **RFQ's** will be the same as for the prime contract, subcontract, or sub-subcontract to which the solicitation is related. except that none **is** to be sent to the quality assurance representative.

7-104 Review of Classification and Need-to-Know.

a. Classification review -- except as provided **in** paragraph b below, the program/project manager (designated in item **12b**, of the **DD** Form 254) of the UA activity which prepared the original, final, or revised **DD** Form 254 shall review the **DD** Form 254:

(1) during **contract** performance, at **change** of phase (such as development, order of prototype, and order **of** first production) or more frequently at the discretion of the PCO or his or **her** authorized representative, but in any event at least biennially;

(2) **on final** delivery of goods or services or on termination of contract, if at the time a final **DD** Form 254 **is** issued under paragraph **7-102b; and,**

(3) at the **conclusion** of **any** retention period authorized under paragraph 5m, ISM, if at that time a final **DD** Form 254 is outstanding and **the** contractor requests an extension of retention authority for retained classified material which is under the classification jurisdiction of the UA. Classification review is not needed or-required **if** the **only** classified material for "which extension of authority is requested is reference material. See paragraph d below, for need-to-know review requirement for reference material.

b. Review of the **DD** Form 254 **is** not required:

(1) when all **items** of classified information were declassified or disposed of earlier;

(2) during any **period** for which retention authority has been granted under paragraph 5m, ISM;

(3) **when the** contract is classified solely because the contractor requires access to classified reference material; or

(4) when the contract is classified solely because:

(a) the contractor requires access to controlled areas containing classified information or material; or

(b) the contract is of the **service** type, such as for guard service or alternate storage service, where no classification breakdown of contract elements additional to that already furnished is necessary. In these cases, of course, the **question** of retention authority does not arise.

c. Notification -- **the** program/project manager (designated in item 12b of the **DD** Form 254) of the UA activity conducting **the** review shall determine whether the classified **information** covered **by the** **DD** Form 254 under

review shall be regraded or **declassified**, and require the PCO to give the prime contractor, the ACO (if **any**), the CSO, and other recipients of the -original, final, or revised DD Form 254 written notification of the results of the review, either **reaffirming** the existing or issuing a revised DD Form 254.

(1) When the prime contractor receives a revised DD Form 254 providing additional guidance or a change in guidance, he or she shall prepare a revised DD Form 254 for each subcontractor whose **DD Form 254** requires a related change. Authenticating signature of the **ACO/PCO** and distribution or instructions for distribution of the subcontractor's **DD Form 254** are required.

(2) **When** the prime contractor receives **notice** that a **review** **has** affirmed his or her existing guidance, or receives a revised DD Form 254 that does not require a related change in any subcontractor's **DE Form 254**, the prime contractor shall promptly give written notice of reaffirmation of guidance to each subcontractor involved. This notice of **reaffirmation to** subcontractors does not require **ACO/PCO** authenticating signature, and its distribution shall be the same as for a revised DD Form 254, in accordance with paragraph 7-103.

d. **Need-to-know** review if **extension of** retention authority is requested - **if** at the end of **any** period for which retention authority has been granted, an **extension of retention** authority is requested, the **PCO** shall conduct a need-to-know review with respect to all classified material for which an extension of retention authority is requested, including both material which is within the classification jurisdiction of such **UA** and reference material. If extension of retention authority is not granted, the **PCO's** shall require contractors to either promptly return the classified material to the **PCO's** or their designated representatives or destroy the classified material.

7-105 Classification Interpretation Procedures.

a. Instructions **pertaining** to the classification of material over which the UA has classification **jurisdiction** may be issued by the **PCO**, or his or her authorized representative, directly to the contractor with an information copy to the ACO and the CSO, or they may be routed to the contractor through the ACO. Contractors at any time may request interpretation of the classification guidance furnished them or recommended changes thereto. Except when contract administration is retained by the PCO, the contractor shall request **guidance from** the program/project manager listed in item **12b** of the **DD Form 254** through the ACO; however, under urgent circumstances direct communication with that program/project manager's office to obtain classification instruction is authorized, provided a written record of such communication **is** given to the ACO.

b. Classification guidance concerning reference material (see paragraph 1-254) is the responsibility of the department or agency having classification jurisdiction over such material at the time it was prepared, or of the current successor **in** interest of that department or agency. When contractors require classification guidance **for reference** material and need assistance **in** identifying the responsible department or **agency**, they shall, **by** direct communication, seek assistance" from:

(1) the secondary distribution source from which the material was **received** -- examples of secondary distribution sources are the government technical information dissemination activities; **DTIC**, Cameron Station, Alexandria, Virginia; DoD Information Analysis Centers, and Redstone Scientific Information Center, U.S. Army Missile Command, Redstone Arsenal, Alabama;

(2) the **UA** contracting office last involved with the contractor concerning the subject matter of the material; or

(3) if unsuccessful in identifying the responsible department or agency by direct communication with (1) and (2) above, the contractor shall seek assistance from:

(a) the UA that awarded the prime contract, even though this will require the **UA** to obtain guidance from the department or **agency** having classification jurisdiction over such material, or

(b) the Director for Information Security, Office of the Deputy Under Secretary of Defense for Policy.

7-106 Responsibility for Authorizing Retention of Classified Material at Completion of a Contract.

a. The contractor shall request authority from the ACO (**or** PCO if contract administration has not been **delegated to an ACO**) to retain classified material on final delivery of goods or services, termination of a contract, or when a bid is not accepted. The **ACO** shall forward such requests for retention to the PCO. The contractor shall be granted a reasonable period of time **in** which to effect destruction or return of the classified material in accordance **with** paragraph 51, **ISM**, or to identify and request authority to retain that classified material for which a continued need exists. .

b. The PCO, when making a determination whether to authorize retention of classified **material**, is encouraged to take **a liberal, practical,** and realistic view toward approving a contractor's request to retain classified material at the final delivery of goods or services, or when the contract is terminated for the convenience of the government. For contractors engaged in furnishing classified supplies or services on a continuing **basis**, the PCO should be receptive to the contractor's request when the basis for such request is to: (i) maintain an effective technical library which will be in consonance with the objectives set forth in DoD Directive 5100.36 (reference **(zz)**), or (ii) enable the contractor **to** develop future proposals for prime or subcontracts based on technologies **gained in** the scientific and engineering fields which have been documented and which may have a subsequent application on such proposals. The contracting officer of a current classified contract may also authorize transfer of the material to **the** current contract when the material is identified by the contractor in accordance with the procedures set forth in paragraph **5m(1)(d)**, **ISM**, and paragraph c below. When such approval is granted, the contracting officer who had **cognizance** over the classified material shall be notified by the current contracting officer. In those situations, the material shall be disposed of **in** accordance with paragraph 51, **ISM**, at the completion of the current contract. In the event that retention of information under the circumstances contemplated in this

paragraph involves Information of a DoD UA being retained by a contractor of a **non-DoD UA**, or vice versa, or between **non-DoD** agencies, the concurrence of the contracting officer of the completed or terminated contract or bid which was **not** accepted must be obtained by the current contracting officer prior to the authorization for retention being granted. Information authorized for retention under these 'circumstances **will be** identified as to its origin," and its ultimate disposition or declassification will remain-with **this** originating agency (see paragraph 1-110). Application of this principle will **permit** the contractor to have the information readily available, thereby eliminating duplication of efforts and resources, providing a savings of time which could result **in** reducing **the** cost to the government or enabling the contractor to accomplish nonsponsored research or development in a timely, efficient, and effective manner and thus be in the posture to submit proposals **in** connection with future government requirements. Such actions on the part of a contractor would be in the best interest of the government.

c. Authorization by the PCO to retain classified material is not required for: (i) records held **by the** contractor in accordance with the records retention clause of the basic contract, (ii) records authorized for retention for a specific **period** under the terms of **the basic** contract, and (iii) records **which, during the contract** period, the PCO has authorized the contractor to retain for a specific **period** following completion of the contract, provided that **in** each case the contractor identifies the material to.. be retained to the **PCO** in the following manner. TGP SECRET **and** SECRET material **shall** be identified in a list of 'specific documents. However, in the case of SECRET material only, the contracting officer **may and** is encouraged to authorize identification by subject matter 'rind approximate number' of documents. **CONFIDENTIAL** material shall be identified by subject matter and approximate number of documents. Following the completion of work under a contract or the termination of a contract where retention **of** classified material has been authorized by the PCO, the responsibility for follow-up actions pertaining to supplemental classification guidance and ultimate disposition of classified material reverts **from** the ACO to the **PCO** at the buying activity on both prime and subcontracts.

d. When retention of classified material is authorized by the **PCO**, such authorization **shall** prescribe a specific period **of** time. In reaching this decision, the **PCO** should be guided by the purpose for which the contractor will use this information; for example, to maintain a technical library or anticipated application to future requirements. Normally the time period authorized should be between 3 **to** 5 years. **At** the end of this period, if "the contractor rejustifies his or her need for the material, the retention authorization can be renewed for additional periods.

e. When authorization to retain classified material has been granted, a review **shall be** accomplished in accordance with paragraph 7-104a(3). A copy of **all notifications** provided the contractor shall be , furnished the CSO by the reviewing activity. **In those** cases where a subcontractor has been authorized to retain classified information at the termination or completion of **a** contract, the reviewing **activity** may make, or authorize the prime contractor to make, **distribution of** notices of downgrading or declassification actions.

f. On receipt of notification of the completion or termination of a classified contract the CSO, during regularly scheduled recurring security inspections, shall ensure that the contractor has complied with instructions received from the PCO and that adequate controls are maintained to safeguard the retained classified material.

g. On completion or termination, at the convenience of the government, of a classified contract involving classified intelligence information, the PCO shall require the contractor to return all classified intelligence information (furnished or generated), unless retention or destruction is authorized by the DIA or the authorized representative of the releasing UA activity.

7-107 Downgrading and Declassification.

a. Classified information or material which no longer requires **its** present category of protection in the interest of national security, shall be downgraded or declassified in order to **preserve** the effectiveness and integrity of the classification system and eliminate classification of information which no longer requires classification protection.

b. The PCO shall note on the DD Form 254, or include in attachments thereto, the declassification instructions. for each element or category of information, such as a date or **event** for automatic declassification, or indicate that the information shall **not** be **declassified without** approval of the originating agency. If applicable, the downgrading instructions to be applied to each item of information shall be included **in** the classification guidance. Dates or events for declassification and, if applicable, downgrading actions shall be as soon as national security considerations permit.

c. Contractors are authorized to apply and implement provisions of the downgrading and declassification system according to the provisions of appendix II, **ISM**, unless **otherwise** instructed by the contracting activity. In those cases in which a PCO determines that the material has been improperly designated, the PCO shall instruct the contractor in writing, through the **ACO**, to mark the material to reflect the proper designation.

7-108 Protective Marking -- **FOR OFFICIAL USE ONLY**.

a. DoD Directive 5400.7 (reference (1)) does not deal with the * protection of classified information. The ISM establishes requirements for the protection of classified information. For this reason the **ISM** does not contain requirements for the protection of information designated "FOR OFFICIAL USE ONLY." If such information is provided to a contractor, specific notification of the requirements for protection of such information should be provided to the contractor as a separate clause **in** the contract, or by an official notification other than the DD Form 254.

b. Industrial security inspection services normally do not include inspection for compliance with requirements for the protection of FOR OFFICIAL USE ONLY information in possession of contractors. However, a CSO, on specific written request of the PCO, may agree to provide such inspection **if** resources for the accomplishment of required security inspections permit, and copies of the requirements previously furnished the contractor are provided with the request.